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IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

ROBERT BOGGILD and WILLIAM L. DALE,
Petitioners,

v.

KENNER PRODUCTS, A Division of
CPG PRODUCTS CORP.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF OF KENNER PRODUCTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

Whether the Court of Appeals correctly applied *Brulotte* v. *Thys Co.*, 379 U.S. 29 (1964) in holding that the *Brulotte* rule of *per se* invalidity precludes enforcement of license provisions which were developed in anticipation of patent protection and which require royalty payments for sale of a patented item beyond the life of the patent at the same rate as was required prior to expiration of the patent.

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This brief is filed by Respondent, Kenner Products,[1] in response to the Court's request of May 16, 1986. Kenner

[1] As indicated in Respondent's letter to the Court dated April 7, 1986, the entity that was previously known as CPG Products Corp., including all of its operating divisions, was spun-off by its former parent, General Mills, Inc., to the shareholders of General Mills on November 1, 1985 under the name Kenner Parker Toys Inc. Hence, Kenner Products is now an operating division of Kenner Parker Toys Inc. and, at least for the present purposes, Kenner Parker Toys Inc. is successor to the named Respondent, CPG Products Corp.

respectfully submits that the decision of the United States Court of Appeals for the Sixth Circuit, reported at 776 F.2d 1315, is in full accord with this Court's holding in *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), with all other Supreme Court authority cited by the Petitioners, and with the Eleventh Circuit's recent decision in *Pitney Bowes, Inc. v. Mestre,* 701 F.2d 1365 (11th Cir. 1983), *cert. denied,* 464 U.S. 893 (1983), a case which is indistinguishable from the present case. Accordingly, the present petition for writ of certiorari should be denied.

STATEMENT OF THE CASE

The facts necessary for this Court's review of the present petition are found in the underlying contract of this action and in the patents that issued to Petitioners, Boggild and Dale, pursuant to the requirements of the contract.[2] Pertinent aspects are, for the most part, set forth in the opinion of the Court of Appeals and will not be dwelled upon here. 776 F.2d at 1316-1317. However, in view of Petitioners' insistence upon characterizing the underlying contract as a "trade secret" agreement, and their concomitant avoidance of various key provisions of the contract, certain of its provisions warrant attention.

First, it is noted that the words "trade secret" do not even appear in the four corners of the contract. Article II of the agreement contains the unambiguous requirement, however, that both design and mechanical patent applications be filed to cover the licensed extruder device. Specifically, Article II, entitled "Patent Applications," provides:

> "B & D will promptly file and diligently prosecute at their expense both mechanical and design patent appli-

[2] The agreement is included in the appendix to the Boggild and Dale Petition for a Writ of Certiorari, pages 27a-38a. The patents, U.S. Patent No. Des. 200,480 and U.S. Patent No. 3,264,685, are included in the Supplemental Appendix to the Boggild and Dale Petition.

cations directed to said Extrusion Device in the United States and Canada.

* * * *

"It is agreed that if B & D fails to file the patent applications in the United States and foreign countries specified above Kutol shall have the right to file the said applications and to deduct the costs of such filing from royalty payments owed to B & D."[3]

Boggild and Dale applied for both design and mechanical patents to cover the licensed extruder device in the United States, as *required* by Article II of the agreement, and critical to this case, *both patents issued.* The design patent expired March 2, 1979; the mechanical patent August 9, 1983.

The issuance of patents pursuant to the Article II application requirements, and thus the licensing of patent rights, was anticipated by numerous provisions of the agreement. For instance, Article IV grants the *exclusive* right to manufacture, use, and sell the licensed extruder; Article X provides that Kenner will admit the validity of any "patent under which rights herein are granted;" Article XII gives Kenner the right to enforce "any patents granted on the applications or inventions herein licensed;" and subparagraph (c) of Article XIII gives Kenner the right to terminate the license in the event of unlicensed competition which the parties "are unable or unwilling to prevent or restrain."

The important aspect of the agreement which both Petitioners and the Amicus Association ignore is that the *only* basis for payment to Boggild and Dale is the Article VI provision for payment of royalties on sales of the licensed device. Specifically, there is no provision in the agreement for payment based on "trade secret" or "technical service" items, as erroneously implied in Petitioners' first question presented for review and

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[3] Kutol is a predecessor in interest under the contract to Kenner. *See* 776 F.2d at 1316 n.1.

also in the brief of the Amicus Association. (*See, e.g.,* Amicus Brief, page 5). Indeed, there is no provision anywhere in the agreement for payments to Boggild and Dale for any reason other than the Article VI provision for payment of royalties on sales of the extruder, *i.e.,* the patented subject matter.

Finally, at the heart of the Sixth Circuit's unenforceability decision is Article XIII, subparagraph (d), which provides:

> "Unless previously terminated in accordance with the foregoing provisions of this Article XIII, this agreement and the rights hereunder shall run to the end of the term or terms of any Letters Patent that may issue on or as a result of the application or applications referred to in Article II hereof or for a period of 25 years, whichever is longer, and shall thereupon terminate."

It is this provision that causes the agreement to run afoul of this Court's holding in *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), and it is also this provision that makes this case indistinguishable from the Eleventh Circuit's decision in *Pitney Bowes, Inc. v. Mestre,* 701 F.2d 1365 (11th Cir. 1983), *cert. denied,* 464 U.S. 893 (1983). In providing for the payment of royalties to extend beyond the full term of the lawful monopoly of the patents, based on post-expiration sales and payable at the same rate and on the same basis as for pre-expiration sales, the contract term is in clear violation of federal patent policy.

REASONS FOR DENYING THE PETITION

I. THERE IS NO CONFLICT NOR CONFUSION CAUSED BY THE SIXTH CIRCUIT OPINION

Both Boggild and Dale and the Amicus Association assert that the Sixth Circuit's application of the *Brulotte* rule of *per se* invalidity in this case is in conflict with prior decisions of this Court, and that the Sixth Circuit opinion creates confusion in this area of intellectual property law. (*See, e.g.,* Petition, pages 10-11; Motion for Leave to File Amicus Curiae, page 2).

Kenner submits, however, that the Sixth Circuit opinion is in full accord with all precedent cited by both the Petitioners and the Association. As discussed in more detail below, the clearly established line of demarcation in all of these cases rests upon the *issuance* of patents vis-a-vis the *absence* of patent rights, and this line of demarcation derives directly from and is reflective of the *public* interests inherent in the granting of a patent monopoly.

Kenner further submits that rather than causing confusion, the Sixth Circuit's opinion removed the only confusing conflict that existed when it reversed the district court opinion below. (Reported at 576 F.Supp. 533). In declining to follow *Brulotte,* the district court expressly declared itself to be in conflict with the Eleventh Circuit by finding that that court had "over extended the *Brulotte* rule" in its *Pitney Bowes* decision. 576 F.Supp. at 536-37. Thus, the Sixth Circuit opinion that is the subject of the present petition removed all conflict and confusion.

A. Application of Brulotte Is Consistent with and Supported by the Public Interest Inherent in a Patent Grant

Review of the present petition must begin with an understanding of the philosophy underlying the federal patent grant. It is a fundamental tenet of United States patent law that an

inventor is provided a seventeen-year monopoly to his discovery in exchange for his disclosure of it to the public. At the end of the seventeen-year period, the law provides that his exclusive rights in his discovery expire and the invention enters the public domain. *Scott Paper Co. v. Marcalus Manufacturing Co.*, 326 U.S. 249, 255-57 (1945); *Brulotte v. Thys Co.*, 379 U.S. 29, 30-31 (1964); *Lear, Inc. v. Adkins*, 395 U.S. 653, 673-74 (1969); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-81 (1974).

The philosophy behind the patent grant demands consideration of the rights of the public, not merely those of the parties to a particular patent agreement. As Chief Justice Stone stated in *Scott Paper Co.*:

> "... The nature and extent of the legal consequences of the expiration of a patent are Federal questions, the answers to which are to be derived from the patent laws and the policies which they adopt. [citations omitted]. By the patent laws Congress has given to the inventor opportunity to secure the material rewards for his invention for a limited time on condition that he make full disclosure for the benefit of the public of the manner of making and using the invention, and that upon expiration of the patent the public be left free to use the invention. [citation omitted]. As has been many times pointed out, the means adopted by Congress of promoting the progress of science and the arts is the limited grant of the patent monopoly in return for the full disclosure of the patented invention and its dedication to the public on the expiration of the patent. [citations omitted].
>
> "The aim of the patent laws is not only that members of the public shall be free to manufacture the product or employ the process disclosed by the expired patent, *but also that the consuming public at large shall receive the benefits of the unrestricted exploitation, by others, of its disclosures.* [citation omitted]. *If a manufacturer or user*

> *could restrict himself by express contract,* or by any action which would give rise to an 'estoppel,' *from using the invention of an expired patent, he would deprive himself and the consuming public of the advantage to be derived from his free use of :he disclosures.* The public has invested in such free use by the grant of a monopoly to the patentee for a limited time. *Hence any attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws."* 326 U.S. at 255-56 (emphasis added).

As evident from the foregoing, the grant of a patent is intended to be a *quid pro quo* agreement between an inventor and the public at large. By its grant of the patent, the public bestows upon the patentee the right to exclude all others from making, using and selling his invention for a period of seventeen years. The public is thus deprived of the "unrestricted exploitation, by others" throughout the patent's term. Exploitation, either by manufacturing, selling or using the invention himself or by licensing any of these rights to others, lies in the sole discretion of the patentee. This is the price the public pays for the Constitutionally sanctioned encouragement of invention.

In return for such rigorous statutory protection, the patentee owes allegiance to the public. Most importantly, after expiration of the patent, the public is entitled to a free market with respect to the patented subject matter, *i.e.,* a market no longer encumbered by financial tribute to the expired patent monopoly. Hence, Chief Justice Stone continued in his *Scott Paper* analysis:

> "By the force of the patent laws not only is the invention of a patent dedicated to the public upon its expiration, but the public thereby becomes entitled to share in the goodwill which the patentee has built up in the patented article or product through the enjoyment of his patent monopoly.
>
> * * * *

> "It is apparent that the patent laws preclude the patentee of an expired patent and all others including petitioner from recapturing any part of the former patent monopoly; for those laws dedicate to all the public the ideas and inventions embodied in an expired patent. *They do not contemplate that anyone by contract or any form of private arrangement may withhold from the public the use of an invention for which the public has paid by its grant of a monopoly and which has been appropriated to the use of all. The rights in the invention are then no longer subject to private barter, sale, or waiver." 326 U.S. at 256-57 (emphasis added).*

See also Brulotte v. Thys Co., 379 U.S. 29, 31-32 (1964); *Lear, Inc. v. Adkins*, 395 U.S. 653, 673-74 (1969).

Thus, in *Scott Paper*, this Court set out a concise and coherent analysis of the public's rights in inventions for which the patent grant has expired. The Court held in *Scott Paper* that no private individual would be permitted to abridge the public's rights by agreeing to extensions of the patent monopoly. The key holding in *Scott Paper* was that "any attempted reservation or continuation in the patentee ... of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws." 326 U.S. at 256.

Kenner submits that the Sixth Circuit's opinion is fully consistent with and supported by the underlying public interest in the patent grant, as expressed so well by the Court in the *Scott Paper* analysis. The present petition must be reviewed in light of the clear federal policy favoring free public access to the inventions disclosed in expired patents.

B. The Sixth Circuit Opinion Is Consistent with and Supported by the Scope of Brulotte v. Thys

In *Scott Paper*, the holding was that an alleged infringer could not be barred from practicing the teachings found in expired patents. *Scott Paper* did not involve an attempt to

collect royalties beyond the life of a licensed patent, but it set out the principles which would later be relied upon by the Court to bar such an attempt. *Brulotte v. Thys Co.*, 379 U.S. 29, 30 (1964).

In *Brulotte*, the Court applied the *Scott Paper* principles to strike down a license agreement which required the licensees to continue paying royalties based on post-expiration conduct after expiration of the patents involved. The holding was that such an agreement was unlawful *per se*.

The material facts underlying the holding in *Brulotte* were simple: (1) the hop-picking machines, which were sold for a fixed price, were covered by a number of U.S. patents; (2) licenses to use the inventions covered by the patents and incorporated into the machines were granted with the sale of the machines and required annual royalty payments separate from the fixed sale price of the machines; (3) royalties were exacted for the licensed use, based alternatively on a minimum annual payment or on pounds of hops picked per season; (4) all applicable patents expired in 1957, but the royalty payment obligations continued for terms beyond that date; and (5) the royalty rates in question were based on post-expiration use of the machines and were at the same rate as for pre-expiration use.

In these circumstances, the Court held that:

> "The exaction of royalties for use of a machine after the patent has expired is an assertion of monopoly power in the post expiration period when, as we have seen, the patent has entered the public domain. We share the views of the Court of Appeals in ArTik Systems v. Dairy Queen, Inc., 302 F.2d 496, 510 ... that after expiration of the last of the patents incorporated in the machines 'the grant of patent monopoly was spent' and that an attempt to project it into another term by continuation of the licensing agreement is unenforceable." 379 U.S. at 33-34.

In reaching its holding in *Brulotte,* the Court expressly rejected arguments that the royalty payments were for something *other* than the grant of rights under the patent, finding it "peculiarly significant" that the machines in issue were *patented* articles and that the royalties (1) were specifically based on post-expiration usage, and (2) were at the same rate and payable on the same bases as for pre-expiration usage. 379 U.S. at 31-32. These considerations were stated by the Court to:

> "... forcefully negate the suggestion that we have here a bare arrangement for a sale or a lease at an undetermined price, based on use. The sale or lease of *unpatented* machines on long-term payments based on a deferred purchase price or on use would present wholly different considerations. ... But patents are in the federal domain; and 'whatever the legal device employed' [citation omitted] a projection of the patent monopoly after the patent expires is not enforceable." 379 U.S. at 32 (emphasis in original).

In *Brulotte,* the Court found the license contracts to be "on their face a bald attempt to exact the same terms and conditions for the period after the patents have expired as they do for the monopoly period." 379 U.S. at 32. Thus, the Court was not interested in conjecturing "what the bargaining position of the parties might have been and what resultant arrangements might have emerged had the provision for post-expiration royalties been divorced from the patent and nowise subject to its leverage." 379 U.S. at 33.

Kenner submits that the scope of *Brulotte* is as follows: where a license agreement provides for the payment of royalties on the manufacture, use, or sale of subject matter which is patented, and the agreement, on its face, provides for the payment of royalties after expiration of the applicable patents, based on post-expiration activities, at the same rate and payable on the same basis as for pre-expiration activities, the

agreement is unlawful *per se* and it is unenforceable beyond the expiration date of the patents. In such circumstances, the courts may not look to the equities of the parties, or who drafted the license, or what role the patents played in fact in the negotiation of the license agreement, inasmuch as such conjecture regarding the motives, "leverage power," and "bargaining positions," of private parties has no place in determining the fundamental interests of the public when issued patents are involved. *See Scott Paper Co. v. Marcalus Manufacturing Co.*, 326 U.S. 249, 255-57 (1945). The violation apparent on the face of the agreement is considered so contrary to established federal policy that no attempt to justify it will be permitted. That is the import of any *per se* rule, and it applies to the *Brulotte* holding as well as any other.

C. Application of Brulotte in the Present Case Is Consistent with and Supported by this Court's Prior Holdings in Kewanee and Aronson

In arguing that the Sixth Circuit has "confused" the law and is in conflict with decisions of this Court, both Boggild and Dale and the Amicus Association rely on two Supreme Court cases wherein the respective holdings specifically turned on the fact that *no* issued patents were involved: *Kewanee Oil Company v. Bicron Corporation,* 416 U.S. 470 (1974) and *Aronson v. Quick Point Pencil Co.,* 440 U.S. 257 (1979). (See, *e.g.,* Petition, pages 10-11; Amicus Brief, pages 10-11, 14). Kenner submits, however, that the Sixth Circuit's application of *Brulotte* in this case, where patents *did issue,* is also consistent with and supported by these cases.

Kewanee was an action based upon employment agreements requiring the non-disclosure of confidential information or trade secrets obtained as employees. The holder of the trade secrets sought injunctive relief and damages for the misappropriation of its trade secrets by certain of its former employees. The employees argued that federal preemption prevented enforcement of the non-disclosure agreements inasmuch as the claimed trade secrets included matter that could

have been, but was not patented. The trade secret owner in *Kewanee* had never applied for any patents, opting instead to rely on state trade secret protection. Thus, the question before the Court in that case was whether the *alternative* protection of state trade secret law was available to one who had intentionally and unequivocally forgone the protections of the federal patent laws. See 416 U.S. at 483-84. After reviewing the respective objectives and alternative incentives of *both* methods, Chief Justice Burger stated,

> "Certainly the patent policy of encouraging invention is not disturbed by the existence of *another* form of incentive to invention. *In this respect* the two systems are not and never would be in conflict. *Similarly, the policy that matter once in the public domain must remain in the public domain is not incompatible with the existence of trade secret protection. By definition a trade secret has not been placed in the public domain."* 416 U.S. at 484 (emphasis added).

The above-quoted passage starkly illustrates the fallacy of Boggild and Dale's assertion that the agreement herein should be treated as a "trade secret" license and also to the error in Petitioners' and the Amicus Association's suggestions that the Sixth Circuit's opinion will serve to discourage inventors from filing patent applications. (Petition, page 10; Amicus Brief, page 14). First, just as a trade secret "by definition" has not been placed in the public domain, a patent "by definition" is public. Its disclosures are published upon issuance, and upon expiration become the property of the public by law. *See* Section IA, *supra.* Thus, when Boggild and Dale agreed to file patent applications, thereby necessarily publishing their disclosure upon issuance of the patents, Boggild and Dale *chose* the federal patent laws as their means of protection, thereby foregoing the "alternative" protection at issue in *Kewanee.*

With respect to the suggestions that patent applications will be discouraged, one need only read the entirety of the

Chief Justice's opinion in *Kewanee.* One who chooses to protect his inventions with the "far weaker" state trade secret laws is always at "substantial risk" that his discoveries will be learned by someone else through legitimate means, *e.g.,* independent discovery or reverse engineering. 416 U.S. at 489-90. In that event, the trade secret owner is not entitled to receive royalties for or to prohibit any such unlicensed competition. *See also Sears, Roebuck & Co. v. Stiffel Co.,* 376 U.S. 225, 230-31 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.,* 376 U.S. 234, 237-38 (1964). On the other hand, one who obtains valid patent protection for his inventions receives the publicly granted right, for a term of seventeen years, to exclude *all* others from making, using, and selling the invention throughout the United States. 35 U.S.C. § 154. As the Chief Justice recognized in *Kewanee,* the patent laws of the U.S. operate " 'against the world,' forbidding any use of the invention for whatever purpose for a significant length of time." 416 U.S. at 490.

Thus, *Kewanee* clearly is not inconsistent with the Sixth Circuit's holding in this case. In any event, since there were no issued patents involved in *Kewanee,* the Court was not faced with the ultimate question decided by the Sixth Circuit here, *viz.,* whether an agreement that provides for the payment of royalties on the manufacture, use or sale of subject matter which was covered by expired United States patents may be enforced beyond the expiration of those patents, where the royalties would be payable on post-expiration activities, at the same rate and on the same basis as for pre-expiration activities. The only Supreme Court cases that have addressed this issue are *Brulotte v. Thys Co.,* 379 U.S. 29, 32 (1964) and ironically, the other case relied upon by the Petitioners and the Amicus Association, *Aronson.* Kenner submits that the Sixth Circuit opinion is also consistent with, and indeed supported by, the holding and the analysis applied by this Court in that case.

Aronson involved a royalty agreement covering rights in a new keyholder designed by Mrs. Aronson and licensed to Quick

Point. Mrs. Aronson had applied for, but had not obtained, patents on the keyholder at the time the agreement was first entered into. In the words of Chief Justice Burger:

> "The contract was embodied in two documents. In the first, a letter from Quick Point to Mrs. Aronson, Quick Point agreed to pay Mrs. Aronson a royalty of 5% of the selling price in return for '*the exclusive right to make and sell* keyholders of the type shown in your application. Serial No. 542677 ....'
>
> "... Quick Point retained the right to cancel the agreement whenever 'the volume of sales does not meet our expectations.' *The duration of the agreement was not otherwise prescribed.*
>
> "A contemporaneous document provided that *if Mrs. Aronson's patent application was 'not allowed within five (5) years,* Quick Point Pencil Co. [would] pay ... two and one half percent (2½%) of sales ... so long as you [Quick Point] continue to sell same.' " 440 U.S. at 259 (emphasis added).

No patents issued within the five-year time period (or thereafter). Hence, Quick Point reduced the amount of its royalty in accordance with the "no patent" contingency provision of the second part of its agreement, and continued paying royalties to Mrs. Aronson at the 2½% rate for an additional fourteen years.

Quick Point then filed an action seeking a declaratory judgment that the agreement was unenforceable on the ground that state contract law, which might otherwise make the contract enforceable, was preempted by federal law. The agreement was upheld by the district court. The Eighth Circuit reversed, finding that the federal patent policy favoring the full and free use of ideas in the public domain required that Quick Point be relieved of its obligations to Mrs. Aronson. *Quick Point Pencil Co. v. Aronson,* 567 F.2d 757, 760-762 (8th Cir. 1977). The court of appeals further observed that had Mrs. Aronson been successful in obtaining a patent on her keyholder, "under *Brulotte v. Thys Co., supra,* 379 U.S. at 32, Quick Point's

liability for royalties would have ended after seventeen years *in spite of the contract."* 567 F.2d at 762 (emphasis in original).

The Eighth Circuit opinion was reversed by this Court, the Court finding that state contract law was not preempted by federal patent law *where no federally issued patents are involved.* However, in the course of analyzing the facts of that case in light of the *Brulotte* holding, the Chief Justice specifically noted the court of appeals' conclusion regarding the application of *Brulotte* to the contract in issue, stating:

> "The [appellate] court also observed that if Mrs. Aronson actually had obtained a patent, Quick Point would have escaped its royalty obligations either if the patent were held to be invalid, [citation omitted] or upon its expiration after 17 years, see *Brulotte v. Thys Co.,* 379 U.S. 29 (1964)." 440 U.S. at 261.

Even though the Supreme Court reversed the lower court on the facts in *Aronson,* where no patent had issued, the Chief Justice expressly agreed with the court of appeals regarding the issue decided by the Sixth Circuit in this case, stating:

> "Mrs. Aronson attempted to obtain a patent for over five years. *It is quite true that had she succeeded, she would have received a 5% royalty only on keyholders sold during the 17-year life of the patent."* 440 U.S. at 263-64 (emphasis added).

In their petition, Boggild and Dale speculate that in making these statements, the Chief Justice may have merely been commenting "on the terms of the contract." (Petition, page 18). The error in Boggild and Dale's conjecture is that it overlooks the fact that the duration of the 5% provision in the *Aronson* agreement is *not* expressly limited to the life of any patent. As quoted above, the duration of the agreement was "not prescribed."

Kenner submits that what the *Aronson dicta* represents is a recognition by the Court that had a patent issued, the unlawful *per se* rule of *Brulotte* would have been controlling regardless of the fact that no patent had issued prior to the negotiation of the license, despite the lack of evidence of any coercive leverage applied, and without concern for any "advantage" Quick Point may have gained by being the "first in the marketplace." (See Petition, pages 22-23). This is true because had a patent issued, the public would have paid its price via the grant given to Mrs. Aronson to exclude others from exploiting her invention. Since Mrs. Aronson's patent application was denied, the public had never paid its price, *i.e.,* it had never been deprived of the "unrestricted exploitation, by others" of Mrs. Aronson's keyholders. *See Scott Paper Co. v. Marcalus Manufacturing Co.,* 326 U.S. 249, 255-57 (1945).

The contract provision that was enforced in *Aronson* was for a *reduced* royalty that rested expressly on the *contingency* that no patent issue. Since no patent issued, the market for the keyholders designed by Mrs. Aronson had always been free, and there was no public interest reason for finding the contingency provision unenforceable. Kenner submits that, contrary to Petitioners' assertion, the Sixth Circuit opinion is supported by both the holding and the dicta of *Aronson.*

D. The Sixth Circuit Opinion Is Consistent with and Supported by Every Other Lower Court Opinion Addressing the Issue

As indicated above, Kenner submits that the present case is indistinguishable from the Eleventh Circuit's recent decision in *Pitney Bowes, Inc. v. Mestre,* 701 F.2d 1365 (11th Cir. 1983), *cert. denied,* 464 U.S. 893 (1983). Indeed, the reasoning of the

Eleventh Circuit was relied upon by the Sixth Circuit in reaching their decision here.[4]

Pitney Bowes represents a step closer to the present case than *Brulotte* in that it dealt with a factual situation wherein the patents involved did not exist at the time the agreements were entered into but did later issue. In *Pitney Bowes,* at the time the agreements were entered into the patent applications had been filed, but there was no way of knowing whether the patents would ever issue.[5]

The court in *Pitney Bowes* had no hesitation in applying *Brulotte* as controlling, because the patents had in fact issued; the patents covered the licensed subject matter; the obligation to pay royalties, on the face of the agreement, extended beyond the life of the patents; the post-expiration royalties were based on post-expiration activities; and there was no differentiation between the pre- and post-expiration royalty rates.

Thus, as in the present case, the royalties in *Pitney Bowes* were not tied to any particular patents or patent applications. The royalties were due on the various machines, whether they were patented or unpatented. Further, neither the grants of exclusive rights nor the royalty requirements included any distinction between the lives of patents that might issue and post-expiration periods. Also as in the present case, while none

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[4] It is noted that although the Amicus Association argues that the Sixth Circuit opinion will cause "confusion," it did not even cite the one circuit court decision factually indistinct from the Sixth Circuit opinion, *i.e., Pitney Bowes.* This omission appears particularly inexcusable in view of the Sixth Circuit's express reliance upon its sister court's decision.

[5] Boggild and Dale have never asserted that there is any materiality in the fact that in *Pitney Bowes* the patent applications had been filed at the time the agreement was executed, whereas here the applications were filed after execution of the agreement. This undoubtedly is because the present agreement *required* the filing of the patent applications.

of the agreements were contingent upon patents issuing, patents did in fact issue with respect to all four of the agreements involved sometime after each of the respective agreements went into effect.

The Florida district court found that of the four basic agreements, the first agreement was strictly a trade secret license (*but see* 701 F.2d at 1373 n. 13) while the latter three agreements were "hybrid" agreements, expressly licensing both patent and trade secret rights. As expressed by the district court, "The principle issues to be decided with respect to all four amended agreements are what are the expiration dates of the agreements and what are the post expiration consequences." 517 F.Supp. 52, 59.

The issue as to expiration of the agreements in *Pitney Bowes* arose from the same sort of violative contract provisions regarding their respective terms as that found in Article XIII(d) of the contract in the instant case. For instance, the second *Pitney Bowes* contract, termed the "Vertical Collator Agreement," was entered into in 1959 and provided for the expiration on the date of Mestre's death, on the date of expiration of the last U.S. patent to expire, or after seventeen years, *whichever was latest.* Since Mestre lived for more than the seventeen-year period and past the expiration of the last to expire patent, the issue before that court regarding the enforceability of a royalty agreement after expiration of the applicable patents was directly on point with the issue decided by the Sixth Circuit in this case.

Relying on the same Supreme Court authority that Boggild and Dale assert in their petition, *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979) and *Kewanee Oil Company v. Bicron Corporation*, 416 U.S. 470 (1974), Mestre argued that because of the portion of the "hybrid" agreements that provided for rights under the trade secrets, *Brulotte* was inapplicable, and that the trade secret portion of the agreement warranted the

continuation of royalty payments throughout the express terms provided in the contracts, despite the expiration of the patents.

The Eleventh Circuit thus analyzed the terms of the Vertical Collator Agreement in accordance with the same authority asserted before the Court in the present petition. In its analysis, that court of appeals found two aspects of the Agreement particularly analogous to the misuse found to be unlawful in *Brulotte*: (1) the conditions of the grant of exclusive use were identical both before and after the patent rights expired, and (2) the royalty terms were identical both before and after expiration of the patents and included no allocation for royalties paid under the patent rights versus rights under the trade secrets. The court stated:

> "... As in Brulotte, two provisions in the [Vertical Collator] agreement suggest that the patentee used the leverage of his patent to project its monopoly beyond the 17-year patent period. First, the 'exclusive rights' granted under the agreement applied equally before and after expiration of the patent. Like the assignment and removal restrictions on the hop-picking machines in Brulotte, the grant of exclusive rights is 'pertinent to protection of the patent monopoly,' but its applicability to the post-expiration period is a telltale sign that the licensor was using the license to project its monopoly beyond the patent period.' 379 U.S. at 32, 85 S.Ct. at 179. Second, the agreement required Pitney Bowes to pay royalties at the same rate and on the same basis after the patent expired that it paid while the patent was in effect. Assuming that the value of the agreement to Pitney Bowes was not as high after the patents expired, it is reasonable to assume that at least some part of the post-expiration payment constituted an effort to extend payments for patent rights beyond the patent period." 701 F.2d at 1373.

The court concluded that pursuant to the clear mandate of *Brulotte*, the Vertical Collator Agreement was unenforceable upon the date of expiration of the last involved patent to expire, even though that contract specifically provided for the licens-

ing of trade secret rights in addition to "any" patents which "may issue," even though the payment of royalties was not contingent upon any patents ever issuing, and even though the contract expressly provided for the payment of royalties for a term beyond the expiration of the last patent to expire.

In granting Pitney Bowes' motion for summary judgment with respect to this contract, the Florida district court concluded that,

> "... the extension of the obligation to make royalty payments, pursuant to the Vertical Collator Agreement, beyond the expiration of the underlying patents represents too great an encroachment on the federal patent system." 517 F.Supp. at 63; this part of the of district court opinion *aff'd*, 701 F.2d at 1370-73.

The "encroachment" that the district court in *Pitney Bowes* was referring to is an encroachment of the *public's* interest in the federal patent system, as discussed in Section IA, *supra*. Kenner submits that the Eleventh Circuit opinion and all other lower court decisions known to Kenner that deal with the issues involved in the Petition support the Sixth Circuit's holding that the critical factors to application of *Brulotte* are (1) whether or not patents *did* issue covering the subject matter of the agreement and (2) whether enforcement of the agreement would require payment of royalties after expiration of the applicable patents, based on post-expiration activities, and at the same rate and on the same basis as before the patents expired. *See, e.g., Meehan v. PPG Industries, Inc.*, No. 84 C 6967, slip op. at 6a-9a (N.D. Ill. July 3, 1985), *argued*, No. 85-2495 (7th Cir. April 11, 1986);[6] *Rocform Corp. v. Acitelli-Standard Concrete Wall, Inc.*, 237 F.Supp. 34, 41-44 (E.D. Mich. 1964), *aff'd*, 367 F.2d 678, 680 (6th Cir. 1966); *Prestole Corp. v. Tinnerman Products, Inc.*, 271 F.2d 146, 155 (6th Cir. 1959); *Pipkin v. FMC Corporation*, 427 F.2d 353, 357 (5th Cir. 1970); *Outman et al.*

[6] A copy of the unpublished district court opinion is included in the appendix hereto, pages 1a through 9a.

v. Western Contracting Corp., 204 U.S.P.Q. 289, 291-92 (N.D. Iowa 1979); and *Veltman v. Norton Simon, Inc.*, 425 F.Supp. 774, 775 (S.D.N.Y. 1977).

In fact, Kenner has been unable to find any case where a patentee has been allowed to continue to collect royalties for sales of *patented* subject matter after expiration or invalidation of his patents, *unless* the payments were expressly allocated against something other than the patented subject matter. Indeed, the cases cited by Petitioners, *Chromalloy American Corp. v. Fischmann*, 716 F.2d 683, 686 (9th Cir. 1983) (sellor of patent license, related know-how, and business assets limited to compensation for "non-patent" assets after patent found invalid); *Span-Deck, Inc. v. Fab-Con, Inc.*, 677 F.2d 1237, 1247 (8th Cir. 1982), *cert. denied*, 459 U.S. 981 (1982) (entire royalty under contract held avoidable after patents held invalid because no allocation of percentage of royalties attributable to trade secrets and know-how provided); and *St. Regis Paper Co. v. Royal Industries*, 552 F.2d 309, 315 (9th Cir. 1977), *cert. denied*, 434 U.S. 996 (1977) (licensor not entitled to royalties under license agreement after patent held invalid inasmuch as patent rights and know-how "intimately intertwined" and agreement did not distinguish between royalties payable for each) (Petition, page 20 n.2), are exemplary of Kenner's position, and certainly not in conflict with the Sixth Circuit opinion here inasmuch as the underlying contract in this action makes *no* allocation between patented subject matter and surviving "trade secrets." (*See*, pages 3-4, *supra*).

Thus, while both the Petitioners and the Amicus Association assert that the Sixth Circuit opinion is in conflict with other cases and will cause confusion among the bar, neither of these parties has pointed to a single case that withstands analysis. Kenner submits that because the Sixth Circuit opinion is in fact in full accord with this Court's holding in *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), as well as with all of the

remaining Supreme Court and lower court authority cited by the Petitioners and the Amicus Association, there is no basis for the grant of a writ of *certiorari* in this case. Accordingly, the Boggild and Dale petition should be denied.

II. THE SIXTH CIRCUIT DID NOT MAKE FINDINGS OF FACT, BUT MERELY APPLIED THE LAW OF BRULOTTE TO THE ONLY RELEVANT AND UNDISPUTABLE FACTS OF RECORD—THE CONTRACT ITSELF AND THE EXPIRED PATENTS

Petitioners' second question presented for review asserts that the Court of Appeals improperly made findings of fact concerning the parties' use of potential patent leverage. This assertion is premised on both a misunderstanding of a *per se* rule and a mischaracterization of the Sixth Circuit's opinion.

First, application of the *Brulotte* rule of *per se* invalidity means that it is not necessary to reach the factual question of whether there was "leveraging" of the patent monopoly. Kenner submits that such inquiries were expressly precluded by the Court's creation of the *per se* rule of *Brulotte*. Thus, the Court said that when the fact of the extension of the monopoly is apparent from the face of the agreement (as it is here), it did not want to "conjecture" as to what the bargaining position of the parties might have been. Indeed, the Court stated that if such devices were available to patentees, "the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there." 379 U.S. at 32-33. In short, it is not relevant whether the potential patent was intentionally "leveraged" or whether the licensee considered himself to be subject to patent "leverage." What is clear and determinative is that the patent *was* extended beyond its terms, to the *public's* detriment, by the contract in question, and that is what *Brulotte* guards against with its *per se* rule.

Second, Kenner submits that the Sixth Circuit did not make improper "findings of fact." Rather, it applied the *per se* rule of *Brulotte* to the only relevant and undisputable facts of record—the contract itself and Petitioners' expired patents. The Sixth Circuit first presented a thorough analysis of *Brulotte,* and concluded that portion of its opinion with its ultimate holding:

> "We reverse [the district court] judgment and hold that the *Brulotte* rule of *per se* invalidity precludes enforcement of license provisions which were developed in anticipation of patent protection and which require royalty payments for use, sale or manufacture of a patented item beyond the life of the patent." 776 F.2d at 1319.

The court then included a *dictum* discussion of the leveraging analysis in the Eleventh Circuit's *Pitney Bowes* decision, and concluded that the terms of Petitioners' contract also evidenced leveraging. The *dictum* is in no way necessary to support the holding, as is clear from the passage quoted above.[7]

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[7] It is noted that Petitioner has attached the transcript of a deposition of the original licensee, taken after the appeal was decided, in an attempt to show "no leverage." Surely such extra-record material has no place in the petition. Nevertheless, Kenner submits that the transcript exemplifies the wisdom of the *per se* rule. Not only is the testimony, taken 23 years after the fact, confusing and inconclusive, but more importantly it shows that the public interest must not be held hostage to the narrow interests of private parties evidenced by that transcript.

CONCLUSION

For the foregoing reasons, Respondent respectfully requests that the petition for a writ of certiorari be denied.

KENNER PRODUCTS, A Division
of CPG PRODUCTS CORP.,

By_____

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APPENDIX

IN THE UNITED STATES DISTRICT COURT

For The Northern District Of Illinois

Eastern Division

JOHN C. MEEHAN,

Plaintiff,

-vs-

PPG INDUSTRIES, INC.,

Defendant.

No. 84 C 6967

MEMORANDUM OPINION AND ORDER

John C. Meehan (Meehan) brought this diversity action for breach of contract against PPG Industries, Inc. (PPG). In 1964, Meehan assigned an invention to PPG's predecessor-in-interest. PPG paid Meehan royalties pursuant to the contract until the U.S. patent covering the invention expired in January, 1983. The case is before the court on cross-motions for summary judgment.

I. Factual Background

The following facts are largely undisputed. In the early 1960's, Meehan, a salesman for a plumbing and heating supply company, conceived an anti-icing additive for private aircraft engines. In 1963, Meehan attempted to market his so-called "method and apparatus" for packaging and dispensing his invention. One of the chemical companies he contacted, Hoffman-Taff, Inc., the predecessor corporation of PPG, expressed interest in the market potential of Meehan's invention.[1]

After PPG signed a confidentiality agreement, Meehan disclosed his invention to it. By the end of December, 1963, Meehan had orally agreed to sell all rights and interests in his

[1] For the purposes of simplification, the contract will be considered as one between Meehan and PPG.

invention to PPG. Accordingly, on January 30, 1964, the parties executed a written contract of assignment.

> Under the contract, Meehan agreed to
>
> sell, assign and transfer unto [PPG] ... the full and exclusive right to apply for and obtain ... patents or other like protection ... for ... the ... method and apparatus covered by this contract in the United States and all foreign countries ... and all the right and authority ... to make, use, manufacture and vend the ... method and apparatus ....

Exhibit "A" to Complaint at ¶ 2. In exchange for this exclusive assignment, PPG contracted to pay Meehan a variable sum of royalties on sales "derived from selling or otherwise utilizing" the method and apparatus. *Id.* at ¶ 3. The parties' cross-motions revolve around the interpretation of the following provision:

> The payments above provided for shall be payable by [PPG] to MEEHAN for a period of time not to exceed the life of any patent or patents granted upon the method and apparatus covered by this contract, and if no patent is granted, for a period of time not to exceed ten (10) years from the date of this contract.

Id. at ¶ 6.

On the contract date, Meehan had not filed any patent application for his invention. The contract, however, obligated PPG to immediately "determine whether the method and apparatus ... may be patented, and if, in the sole judgment of [PPG] and its attorneys, such method and apparatus may be patented, then [PPG] shall file and prosecute with diligence an application for United States Letters Patent ...." *Id.* at ¶ 8(a). In this connection, Meehan assented to render such technical assistance, furnish all available information, and execute all documents necessary for the purpose of applying for and successfully prosecuting a patent application. *Id.* at ¶¶ 8(b), 10. If patents issued, the contract provided that Meehan "shall

. . . legally and completely assign, transfer and convey to [PPG] said Letters Patent." *Id.* at ¶ 8(b).

Pursuant to the contract, patents covering Meehan's invention were applied for and granted in the U.S., Canada, and the United Kingdom. The U.S. patent (No. 3,227,196) issued on January 4, 1966 and expired on January 4, 1983. The British patent lapsed without renewal on November 11, 1981. Finally, the Canadian patent (No. 773,811) did not expire until December 19, 1984. The contract neither segregates royalty payments according to these patents nor differentiates between the rate of such payments before and after expiration of the patents.

PPG paid Meehan royalties under the contract until January 4, 1983, when the U.S. patent expired. Since that date, PPG has made sales in the U.S. deriving from Meehan's invention but has made no further royalty payments.

Meehan sued for breach of contract in 1984. Under his construction of the contract, PPG was obligated to pay royalties until the last of the U.S. or foreign patents expired. Thus, plaintiff argues that he was entitled to royalties through December 19, 1984, when the Canadian patent expired. Citing *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), plaintiff insists that 1) he contracted to sell nothing more than a trade secret and, therefore, 2) the term of the contract is enforceable as written under applicable state law.[2]

In contrast, PPG asserts that its obligation to pay royalties to Meehan ceased on January 4, 1983 as a matter of federal patent law. PPG does not dispute Meehan's interpretation of the contract language that the agreement was to remain in effect through the life of the last-to-expire patent. Rather, PPG argues that plaintiff's construction would improperly extend the

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[2] The contract is expressly governed by Missouri law. Exhibit "A" to Complaint at ¶ 19.

obligation to pay royalties on sales of the patented invention for nearly two years after the expiration of the U.S. patent. PPG invokes *Brulotte v. Thys Co.*, 379 U.S. 29 (1964) for the proposition that such an extension is unlawful *per se*, state contract law to the contrary notwithstanding.

Because this case presents a pure question of law, summary judgment is an appropriate vehicle for adjudication. Summary judgment shall be granted only if "there is no genuine issue as to any material fact and . . . the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c).

II. Discussion

In *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), the Supreme Court considered the effect of a license agreement which provided for the payment of royalties beyond the life of the underlying patents. The Supreme Court held that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*." 379 U.S. at 32. Noting that federal patent rights become public property once the 17-year period of protection ends, the Court emphasized that, " 'whatever the legal device employed'[,] a projection of the patent monopoly after the patent expires is not enforceable." *Id.* (quoting *Scott Paper Co. v. Marcalus Manufacturing Co.*, 326 U.S. 249, 256 (1945)). The Court refused to permit a patentee to misuse the leverage of the patent monopoly in this manner. *Id.* at 33. In addition, the Court found it "peculiarly significant" that the royalty provisions in the agreement at issue were the same for the post-expiration period as for the monopoly period. *Id.* at 31-32. PPG argues that *Brulotte* controls this case.

On the other hand, in *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), relied on by plaintiff, the Supreme Court addressed the issue "whether federal patent law pre-empts state contract law so as to preclude enforcement of a contract to pay royalties to a patent applicant, on sales of articles embodying

the putative invention, for so long as the contracting party sells them, if a patent is not granted." 440 U.S. at 258-59. While a patent application was pending, Mrs. Aronson contracted for the manufacture and sale of her invention of keyholders. The contract expressly provided that if a patent was not granted, the royalty payments would be reduced by 50%. *Id.* at 259. After reviewing the policies of federal patent law, the Supreme Court upheld the enforcement of the contract for the sale of what it considered to be a generic trade secret.[3] *Id.* at 262-63; *see also Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). The manufacturer's obligation to make continuing royalty payments was viewed as a reasonable *quid pro quo* for the privilege of introducing a new product to the market. *Id.* at 263.

The Court stressed, however, that Mrs. Aronson failed to obtain a patent. The Court noted that "[i]t is quite true that had she succeeded, she would have received a . . . royalty only on keyholders sold during the 17-year life of patent." *Id.* at 263-64. Furthermore, attempting to reconcile its holding with that of *Brulotte*, the Court stated that "[h]ere the reduced royalty which is challenged, far from being negotiated 'with the leverage' of a patent, rested on the contingency that no patent would issue . . . ." *Aronson*, 440 U.S. at 265.

The case at bar starkly illustrates the conclusive effect of legal characterization. *See generally* E. Levi, *An Introduction To Legal Reasoning* 2-3, 5 (1949). If Meehan sold a pure trade secret, then *Aronson* dictates that he receive royalties as contracted for until December 19, 1984. In contrast, if Meehan assigned patent rights, either exclusively or in combination with a trade secret, then *Brulotte* nullifies the contractual obligation to pay royalties after January 4, 1983 as a matter of overriding federal law. After considering all of the materials submitted by the parties, the court concludes that the assignment contract at

[3] The Supreme Court defined trade secret as "confidential information . . . not disclosed in the normal process of exploitation." 440 U.S. at 266 (citing Restatement of Torts § 757 comment b (1939)).

issue and the subsequent events pursuant thereto sufficiently implicate federal patent policy to prohibit the payment of royalties to Meehan beyond the life of the U.S. patent.

First, the face of the contract indicates that Meehan intended to convey and PPG intended to receive much more than a mere trade secret. In addition to the exclusive right to "make, use, manufacture and vend" the invention, Meehan contracted to assign to PPG "the full and exclusive right to apply for and obtain . . . patents or other like protection . . . ." Exhibit "A" to Complaint at ¶ 2. Numerous other provisions show that the parties clearly contemplated the early application for patent protection. *E.g., id.* at ¶¶ 6, 8(a), 8(b), 9, and 10. Indeed, ¶ 8(a) obligated PPG to immediately determine whether the invention was patentable and if, in its judgment, the invention was patentable, then to file and prosecute with diligence a U.S. patent application. Although such a filing is perhaps not mandatory under the imprecise language of this provision, the court recognizes that good faith is an implied term of every contract. *See* Restatement (Second) of Contracts § 205 (1981); *ABA Distributors, Inc. v. Adolph Coors Co.*, 542 F. Supp. 1272, 1285 (W.D. Mo. 1982) (applying Missouri law). In this light, ¶ 8(a) strongly suggests that the parties expected PPG to seek U.S. patent protection at the earliest possible date. Moreover, in the event that a patent issued, ¶ 8(b) explicitly provides that it is the property of PPG. Thus, the court refuses to believe that Meehan innocently negotiated for the sale of a trade secret without the prospect of patent protection.

Second, the contract provides for royalty payments in gross, with no segregation among the various patents issued and no distinction between amounts owing during and after the life of the patents. Unlike Mrs. Aronson, Meehan did not bargain for a reduced payment in the event that no patent issued. Nor did he contract for reduced payments after the expiration of any patents issued. Thus, the contract terms

require the payment of royalties on U.S. sales of the invention occurring after the expiration of the pertinent U.S. patent at the same rate before and after expiration, in contravention of *Brulotte.*

Third, the court declines Meehan's invitation to restrict its inquiry to the intent of the parties on the contract date. The court also weighs the subsequent conduct of the parties pursuant to the contract. The most important fact in this regard is the successful application for patents. This distinguishes *Aronson* and implicates federal patent policy. The constitutionally protected patent monopoly, as well as its concomitant rights and obligations, gives way to the public domain after seventeen years. *See Brulotte,* 379 U.S. at 31; *cf. Aronson,* 440 U.S. at 263-64.

Finally, federal patent policy proscribes the extension of the patent monopoly beyond the life of the patent in this case. Enforcement of the royalty provision until December 19, 1984 would deprive "the consuming public . . . [of] the benefits of the unrestricted exploitation, by others," of Meehan's invention. *Scott Paper,* 326 U.S. at 255. If Meehan's construction were sustained, "the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there." *Brulotte,* 379 U.S. at 32-33. There can be little doubt that as long as PPG is obligated to pay royalties to Meehan, the market will not be "free" since the consuming public will ultimately have to bear the burden of PPG's costs as reflected in the price of its product.

Undaunted by these considerations, plaintiff assiduously attempts to distinguish *Brulotte* on the basis that Meehan had not applied for a patent at the time of the contract. It is true that *Brulotte* involved licenses for patents already issued and the improper use of leverage on those patents. The holding in *Brulotte,* however, was not expressly limited to these facts. Furthermore, other courts, in applying *Brulotte* to assignments

of patent rights similar to the contract at issue, have not been detained by the absence of a patent at the time of executing the contract. *E.g., Pitney Bowes, Inc. v. Mestre,* 701 F.2d 1365 (11th Cir.), *cert. denied,* 104 S.Ct. 239 (1983); *Pipkin v. FMC Corp.,* 427 F.2d 353 (5th Cir. 1970); *contra, Boggild v. Kenner Products,* 576 F. Supp. 533 (S.D. Ohio 1983), *argued,* No. 84-3467 (6th Cir. March 26, 1985). Finally, the factors discussed above strongly support the application of *Brulotte* to the facts of this case.

Even assuming *arguendo* that the contract at issue embodies a "hybrid" agreement to sell both a trade secret and patent rights, the court refuses to ignore the patent rights assigned and the federal patent policy arising from the subsequent issuance of patents. The Eleventh Circuit has squarely held that such a hybrid agreement is unenforceable insofar as it requires royalty payments beyond the expiration of U.S. patents. *Pitney Bowes,* 701 F.2d at 1373.[4] Confronted with an issue of characterization like the one before this court, the Eleventh Circuit reasoned that "[w]hen a patent issues, the potential exists for direct conflict between federal patent law and state trade secret law. When such a conflict occurs, the question is . . . one of federal supremacy." 701 F.2d at 1372. In turn, "federal supremacy requires that federal patent law determine the rights under the agreement." *Id.* at 1372 n.12.

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[4] Although not cited by Meehan, one federal court has declined to follow *Pitney Bowes* on similar facts, because, in the court's view, "the Eleventh Circuit over extended [sic] the *Brulotte* rule." *Boggild,* 576 F. Supp. at 536. This court, however, has carefully reviewed both decisions and finds *Boggild* unpersuasive for the following reasons: 1) it ignores the language in *Aronson* indicating that the outcome would have been different had a patent issued; 2) it omits any reference to the fact that the contract in question did not distinguish between the amount of royalties to be paid a) if a patent issued and if no patent issued and b) before and after the expiration of the patent; and 3) it inadequately heeds the federal patent policy of a free market for the post-expiration period.

The court concludes that the issuance of a U.S. patent in this case created a conflict between federal patent law and state trade secret law to be resolved in favor of the former.

III. Conclusion

For the foregoing reasons, the court holds that the royalty provisions of the assignment contract were unenforceable as a matter of overriding federal patent law after January 4, 1983, when the U.S. patent covering plaintiff's invention expired. There being no disputed issue of material fact in this regard, defendant is entitled to judgment as a matter of law. Therefore, the court grants defendant's motion for summary judgment and denies that of plaintiff. The case is dismissed with prejudice.

ENTER:

BERNARD M. DECKER
United States District Judge

DATED: July 3, 1985.